CHARTA LEARNING · LESSON NOTES

The Code, the Standards and the conduct program

Ethics

1 A story: the referee and the rule book

- Rule book: the Code and the Standards
- Referees: Professional Conduct staff investigate
- Board of Governors oversees the program
- Disciplinary Review Committee: volunteer hearing panels

IN THE LESSON

- Think of a football league.
- There is a rule book, and there are referees who watch for fouls.
- When a foul is reported, someone looks at the evidence, and a serious one can lead to a hearing.
- The CFA Institute works the same way.
- The rule book is the Code and Standards.
- The referees are the Professional Conduct staff, who investigate.
- Above them, the Board of Governors oversees the whole program.
- And a group called the Disciplinary Review Committee, whose members are volunteer charterholders, sits on the hearing panels that decide contested cases.
- All of this is called the Professional Conduct Program.

2 Four ways a case begins

- 1. Own disclosure on the annual PCS
- 2. A written complaint from anyone
- 3. Public sources: press, regulator notices
- 4. Institute monitoring of exams and online activity

IN THE LESSON

- A case can start in four ways.
- The first is easy to forget: your own disclosure.
- Every year members and candidates complete the Professional Conduct Statement, which we write as P C S.
- It asks about things like a lawsuit, a criminal investigation or a regulatory inquiry.
- Telling the truth there can itself open a case.
- The second is a written complaint from a client, a colleague or anyone else.
- The third is public sources: a newspaper story or a regulator's notice.
- The fourth is monitoring by the institute itself, of the exams and of online activity, such as a candidate posting exam questions on a forum.

3 From complaint to sanction

Staff

Case opens: four routes → Inquiry by staff → Close, caution or charge

If charged

Accept: panel reviews it →
Reject: hearing panel → Sanction stands

IN THE LESSON

- Here is the path, drawn in two rows.
- The top row belongs to the staff.
- A case opens, the staff run an inquiry, and then they choose.
- They can ask the member for a written explanation, interview people, and collect documents.
- After that they have three options: close the case with no action, send a cautionary letter, or propose charges together with a sanction.
- The bottom row begins only if they charge.
- The individual can accept the proposal or reject it.
- If the member accepts, a panel still reviews the settlement.
- If the member rejects, a hearing panel hears the case.
- Either way, staff alone do not have the last word.

4 What the panel decides, and the sanctions

- Panel decides: was there a violation?
- Then decides: what is the sanction?
- Public censure, suspension, or revocation
- Cautionary letter is a warning, not a sanction

IN THE LESSON

- When a member rejects the proposal, the hearing panel does not simply check the staff's work.
- It decides two separate questions for itself.
- First, did a violation of the Code and Standards happen at all?
- Second, if so, what is the sanction?
- The sanctions run from public censure, which is a public reprimand, through suspension of membership and of the right to use the designation, up to revocation of the charter.
- Candidates can be barred from the program as well.
- Notice the order.
- The panel decides the violation first and the sanction second, and a lighter closing, such as a cautionary letter, is not a sanction at all.

5 A case from start to finish

Dara Okafor: lawsuit, then an inquiry

Lawsuit filed, no ruling yet	disclose on the PCS	**Must disclose**
Route into the case	her own disclosure	**Route one**
Staff propose	one year suspension	**Charges**
Dara rejects it	hearing panel hears it	**Panel decides**
Panel decides	violation, then sanction	**Both its own**

IN THE LESSON

- Let us follow a made up case.
- Dara Okafor, a charterholder, is sued by a former client who says Dara hid a product commission.
- No court has ruled.
- In March Dara completes her annual statement.
- She wonders whether to leave the lawsuit out, since she has not lost.
- She must not.
- A lawsuit is exactly what the statement asks about, whatever the outcome.
- She discloses it, and staff open an inquiry.
- They find a pattern of lapses and propose a one year suspension.
- Dara thinks that is harsh and rejects it.
- The case does not go back to staff.
- It goes to a hearing panel, which decides the violation and the sanction afresh.

6 Quick checks on the program

Situation and the right answer

Situation	Answer
Lawsuit filed, not decided	Disclose it
One small lapse, no pattern	Caution letter
Member accepts settlement	Panel reviews
Member rejects the sanction	Hearing panel

IN THE LESSON

- Four quick checks.
- A member is named in a lawsuit that has not been decided.
- Must it go on the annual statement?
- Yes, disclose it.
- Staff find a single small lapse and no pattern.
- They may close the case or send a cautionary letter, rather than charge.
- A member accepts staff's proposed settlement.
- Does anyone else look at it?
- Yes, a panel reviews accepted settlements.
- And last, staff decide a charge is right but the member rejects the sanction.
- Who now decides?
- A Disciplinary Review Committee hearing panel, which rules on the violation and on the sanction.
- Keep these four answers, because exam questions on this outcome are usually built from them.

7 The Code of Ethics: the big principles

- Integrity, diligence, respect in all dealings
- Clients and the profession before your own interests
- Reasonable care and independent judgment
- Keep markets sound; keep your skills current

IN THE LESSON

- Now the rules themselves.
- Start with the Code of Ethics, which is short and general.
- It asks members to act with integrity, competence, diligence and respect, and to behave ethically towards the public, clients, prospective clients, employers, employees, colleagues and markets.
- It asks them to put the integrity of the profession and the interests of clients above their own.
- It asks for reasonable care and independent professional judgment, and to promote the integrity and good working of capital markets.
- And it asks them to keep up and improve their own competence.
- The Standards below it say exactly what these principles mean in practice.
- Law alone is never enough.

8 Seven Standards, one map

Standards one to four

I Professionalism → II Markets → III Clients → IV Employers

Standards five to seven

V Analysis → VI Conflicts → VII Membership

IN THE LESSON

- The Standards are seven groups, and it helps to remember whom each group protects.
- Standard one, Professionalism, is about your own integrity: law, independence, misrepresentation, misconduct and competence.
- Standard two protects the market.
- Standard three protects clients.
- Standard four is about your employer.
- Standard five is about the quality and communication of your analysis.
- Standard six covers conflicts of interest.
- And Standard seven, Responsibilities as a Member or Candidate, protects the program and the designation.
- A first question on any case is who got hurt.
- That tells you which box to open first, though many cases touch two or three.

9 How to work any ethics case

Four steps

Facts: who did what → Name the Standard → Breach? Why → Action to take

IN THE LESSON

- Every case on the exam can be worked in the same four steps.
- First, list the facts: who did what, and who knew what.
- Second, name the Standard and the subsection that the act engages, and remember that one act can engage several.
- Third, decide whether there is a breach.
- Ask whether the member's act, or failure to act, falls short of what the subsection requires.
- Do not ask whether the outcome was bad, or whether the member meant well.
- Fourth, state the action: what the member should have done, or what should be done now.
- We use these four steps on every case in this lesson.

10 Standard one A and one B

- I(A) Know the law and the Code; follow the stricter
- Do not take part in others' violations; dissociate
- I(B) Keep research and advice independent
- No gift or benefit that could compromise judgment

IN THE LESSON

- Standard one A is Knowledge of the Law.
- Members must understand and follow the laws and rules that apply to them, and the Code and Standards.
- When the law and the Code differ, follow the stricter one.
- If a member knows of another person's violation, the member should not take part in it, and should dissociate from it, which can mean reporting up the firm.
- Standard one B is Independence and Objectivity.
- Members must use reasonable care and judgment to keep their work independent and objective, and must not offer, ask for or accept a gift, benefit or compensation that could reasonably be expected to compromise it.
- A modest gift may be fine, but think about the effect.

11 Standard one C, D and E

- I(C) No false statements; no plagiarism
- I(D) No dishonesty, fraud or deceit
- Private hardship without dishonesty is not misconduct
- I(E) Competence, new in 2024: have and keep the skills

IN THE LESSON

- Standard one C is Misrepresentation.
- Never knowingly make a false statement or leave out important facts about your work, services or qualifications.
- Plagiarism sits here: copying someone's report, table or data and presenting it as your own, without naming the source.
- Standard one D is Misconduct.
- Do not commit acts involving dishonesty, fraud or deceit, or that reflect badly on your integrity or competence.
- Private troubles with no dishonesty, like a bankruptcy from medical bills, are not misconduct.
- Standard one E, new in the twenty twenty four revision, is Competence.
- Members must have and keep the knowledge and skills for their roles, and must limit their work to what they are competent to do.

12 Standard one cases

Which cases are breaches?

Tariq copies pages, no source	I(C) misrepresentation	**Breach**
Lena's honest bankruptcy	I(D) misconduct	**No breach**
Odile follows the stricter rule	I(A) the law	**No breach**
Hugo upgrades after paid trip	I(B) independence	**Breach**
Priya trains before covering	I(E) competence	**No breach**

IN THE LESSON

- Five cases.
- One: Tariq publishes a report with three pages lifted from a broker's paper, with no source.
- That is a breach of one C, plagiarism.
- He should name the source, or rewrite it.
- Two: Lena files for bankruptcy after medical bills, with no dishonesty.
- That is no breach of one D.
- Three: Odile works where local law has no limit on gifts, but the Code is stricter, so she follows the Code.
- That is no breach of one A.
- Four: Hugo upgrades a company's stock after it pays for his luxury trip.
- That breaches one B.
- Five: Priya takes over a sector she does not know, but trains first and uses an expert.
- That is no breach of one E.

13 Standard two: integrity of capital markets

- II(A) Material AND nonpublic: do not act on it
- Mosaic theory: public plus nonmaterial pieces is fine
- Received by mistake? Do not trade; tell compliance
- II(B) No price distortion, no false rumours

IN THE LESSON

- Standard two A is Material Nonpublic Information.
- Do not act on it, or cause others to act on it.
- Information is material if it would likely affect a security's price or a reasonable investor's decision, and nonpublic if it has not been made available to the market.
- You need both.
- Public means widely available, not merely printed somewhere obscure.
- The mosaic theory is allowed: an analyst may combine public information and nonmaterial nonpublic pieces into a conclusion, even if the result is material.
- If you receive inside information, the usual action is not to trade, and to tell compliance.
- Standard two B is Market Manipulation.
- Do not distort prices or inflate trading volume to mislead other participants, whether by trades or by spreading false rumours.

14 Standard two cases

Standard two: breach or not?

Jorge sells for clients on a tip	II(A) nonpublic information	**Breach**
Mei builds a mosaic of public data	II(A) mosaic theory	**No breach**
Trader buys on a misdirected draft	II(A) inside information	**Breach**
Elena lifts the month end price	II(B) manipulation	**Breach**

IN THE LESSON

- Four cases.
- One: Jorge, a portfolio manager, is told by a friend at a listed company that next week's results include a large write down.
- He sells the shares from client accounts to protect them.
- This is a breach of two A, and the good intention is no defence, because acting on the information is the offence.
- Two: Mei combines shipping data, public filings and calls with suppliers to forecast a retailer's sales.
- No breach, this is mosaic theory.
- Three: a fund draft results email arrives by mistake and a trader buys.
- Breach.
- Four: Elena buys small lots of a thin stock in the last minutes of each month to lift its closing price, and the team bonus is based on it.
- That is manipulation, two B.

15 Standard three A, B and C

- III(A) Client first, prudent person care
- III(B) Fair dealing: equal chance, not equal results
- III(C) Suitability: know the client, in a written policy
- Review the client's policy regularly, not just once

IN THE LESSON

- Standard three is Duties to Clients.
- Three A is Loyalty, Prudence and Care.
- Act for the benefit of clients, place their interests before your employer's and your own, and act with the care of a prudent person.
- Where the client is a fund or a trust, the client is the beneficiary.
- Three B is Fair Dealing.
- Treat all clients fairly when you give advice, change a recommendation, or take investment action.
- Fair does not mean identical: a pro rata share of an oversubscribed issue is fair.
- Three C is Suitability.
- Learn each client's objectives, constraints, and risk tolerance in an investment policy statement, review it regularly, and make recommendations that fit.

16 Standard three cases, part one

Standard three, part one

Broker pays firm's marketing tools	III(A) soft dollars	**Breach**
Proxies voted by default	III(A) prudence	**Breach**
Big clients get the upgrade first	III(B) fair dealing	**Breach**
Issue shared pro rata, 25%	III(B) fair dealing	**No breach**
Client demands a risky fund	III(C) suitability	**Advise, record**

IN THE LESSON

- Five cases.
- One: Viktor's firm routes trades to a broker who then pays for the firm's marketing software.
- That benefits the firm, not the clients.
- A breach of three A.
- Two: the firm votes every proxy with management by default, without looking at what the vote does for clients.
- Breach of three A.
- Three: Fatima emails an upgrade to her biggest clients first.
- Breach of three B.
- Four: an oversubscribed issue gives the firm twenty five per cent of what it asked for, so clients who asked for twelve thousand and eight thousand shares get three thousand and two thousand.
- No breach.
- Five: a retired client demands a speculative fund.
- Her duty is to advise, document, and revisit the policy statement.

17 Standard three D and E

- III(D) Fair, accurate, complete performance
- No cherry picking of winners
- III(E) Client information stays confidential
- Exceptions: the law, client consent, illegal activity, PCP

IN THE LESSON

- Three D is Performance Presentation.
- When presenting performance, take reasonable steps to make it fair, accurate and complete.
- That rules out cherry picking, such as showing only the best portfolios.
- Include all portfolios that fit the strategy, and do not claim compliance with a standard like the G I P S unless it is true.
- Three E is Preservation of Confidentiality.
- Keep information about current, former and prospective clients confidential, unless the law requires disclosure, the client permits it, or the information concerns illegal activity.
- You may also cooperate with a Professional Conduct Program investigation.
- Confidentiality is the client's, not yours to give, even to a client's relative, however well meant.

18 Cherry picking, with numbers

Assets 40, 30, 20, 10 million; returns 11, 9, 4, −2%

All four, weighted by assets	(440 + 270 + 80 − 20) ÷ 100	**7.70%**
Only the best two	(440 + 270) ÷ 70	**10.14%**
Overstatement	10.14 − 7.70	**2.44 points**
Verdict	III(D) performance	**Breach**

IN THE LESSON

- Here is how cherry picking bends the truth.
- A firm runs four portfolios in the same strategy, with assets of forty, thirty, twenty and ten million, and returns of eleven, nine, four and minus two per cent.
- Weight each return by its assets.
- Forty times eleven is four hundred and forty, thirty times nine is two seventy, twenty times four is eighty, and ten times minus two is minus twenty.
- The total is seven hundred and seventy, over one hundred million, so the fair composite return is seven point seven per cent.
- Now show only the first two.
- Seven hundred and ten over seventy is ten point one four per cent.
- That overstates by about two point four four points, a breach of three D.

19 Standard three cases, part two

Standard three, part two

Composite shows only winners	III(D) performance	**Breach**
Tells client's brother, kindly	III(E) confidentiality	**Breach**
Reports a client's illegal use	III(E) exception	**No breach**
Cooperates with PCP staff	III(E) exception	**No breach**

IN THE LESSON

- Four more cases.
- One: a composite shows only the winning portfolios, as we just saw.
- Breach of three D.
- Two: Nadia, a planner, mentions a client's holdings to the client's brother over lunch because he is worried about her.
- Kind, but a breach of three E.
- The client did not agree.
- Three: a planner learns that a client is using the account to launder money, and tells the proper authorities.
- No breach: illegal activity is an exception.
- Four: staff from the Professional Conduct Program ask about a former client's account in a complaint review.
- The member may cooperate, so this is no breach of three E.

20 Standard four: duties to employers

- IV(A) Loyalty: no taking client lists or records
- Whistleblowing for law, markets, clients is allowed
- IV(B) Extra pay from third parties: written consent
- IV(C) Supervisors: adequate system, and act on doubts

IN THE LESSON

- Four A is Loyalty.
- Act for your employer's benefit, do not harm it, and do not take its property, such as client lists and records, when you leave.
- You may compete after leaving, using what is in your memory and public sources.
- Whistleblowing is allowed when the employer is breaking the law, to protect the market or clients.
- Four B is Additional Compensation Arrangements.
- Do not accept extra pay or benefits from clients or third parties that could conflict with your employer's interests, unless the employer gives written consent.
- Four C is Responsibilities of Supervisors.
- If you supervise people, make reasonable efforts to prevent and detect violations.
- That means an adequate compliance system, plus acting when you suspect a problem.
- Delegating does not remove the duty.

21 Standard four cases

Standard four: breach or not?

Samir takes the client list	IV(A) loyalty	**Breach**
Grace calls clients from memory	IV(A) after leaving	**No breach**
Kofi hides a client bonus	IV(B) extra pay	**Breach**
Anna ignores a trading rumour	IV(C) supervisors	**Breach**
Reports employer's unlawful act	IV(A) whistleblowing	**No breach**

IN THE LESSON

- Five cases.
- One: Samir resigns and walks out with the client list and files.
- That breaches four A.
- Two: Grace leaves, and later calls clients whose names she remembers and finds in directories.
- No breach.
- Three: a client gives Kofi a bonus for good returns, and Kofi tells nobody at the firm.
- That breaches four B, since the employer did not consent.
- Four: Anna, a department head, hears a rumour that her top earner trades ahead of clients.
- She says nothing because he earns the most.
- That breaches four C.
- Five: a member reports her employer's unlawful pricing to the regulator.
- Not a breach of four A.

22 Mistakes to avoid so far

- 1. Disclosure is not consent
- 2. Material and nonpublic: both must be true
- 3. A good motive is not a defence
- 4. Required versus best practice
- 5. Stopping at the first Standard that fits

IN THE LESSON

- Before we go on, five traps that cost marks.
- One: mixing up disclosure and consent.
- Telling a client about a problem is not the same as getting the client's agreement, and where the rule says consent, disclosure alone is not enough.
- Two: treating material and nonpublic as the same thing.
- Information must be both.
- Three: thinking a good motive excuses a breach.
- Selling to protect clients on inside information is still a breach.
- Four: confusing what the Standards require with what is best practice.
- Compliance procedures that the Standards suggest are not all required.
- Five: stopping at the first Standard that fits, when the same act may breach two or three.

23 Standard five: investment analysis

- V(A) Diligence and reasonable basis, even if borrowed
- V(B) Explain the process and changes; fact versus opinion
- V(B) since 2024: nature and cost of services
- V(C) Keep supporting records at least seven years

IN THE LESSON

- Five A is Diligence and Reasonable Basis.
- Before making a recommendation or taking action, exercise diligence, independence and thoroughness, and have a reasonable and adequate basis supported by research.
- If you rely on a third party's research, such as a broker or a data vendor, you must check that it is sound.
- Five B is Communication with Clients and Prospective Clients.
- Tell clients the basic format and general principles of your investment process, and any changes to it.
- Separate fact from opinion, and, since the twenty twenty four revision, disclose the nature and cost of your services, including fees from affiliates.
- Five C is Record Retention.
- Keep records that support your work for at least seven years, or longer if local law says so.

24 Standard five cases

Standard five: breach or not?

Carla trusts a forecast unchecked	V(A) reasonable basis	**Breach**
Kasun checks the partner's work	V(A) diligence	**No breach**
Quant model adopted, silent	V(B) process change	**Breach**
Fee 12,000 + custody 1,600 hidden	V(B) cost of services	**Breach**
Files deleted after two years	V(C) records	**Breach**

IN THE LESSON

- Five cases.
- One: Carla puts a sector forecast into a report without checking its method, because its author has a good reputation.
- That is a breach of five A.
- Two: Kasun checks the partner's assumptions against the published accounts and asks how its analysts are paid.
- No breach.
- Three: a firm swaps its stock picking for a quant model and tells no clients.
- A breach of five B.
- Four: a client agreement shows a fee of zero point six per cent on two million, which is twelve thousand, while an affiliate custodian also takes zero point zero eight per cent, sixteen hundred, not mentioned.
- Total cost is thirteen thousand six hundred, so that breaches five B.
- Five: an adviser deletes research files after two years, a breach of five C.

25 Standard six: conflicts of interest

- VI(A) Avoid, or fully and fairly disclose conflicts
- Disclosure must be prominent and plain, not buried
- VI(B) Clients and employer trade before you do
- VI(C) Disclose referral fees you pay or receive

IN THE LESSON

- Six A is Disclosure of Conflicts.
- Since the twenty twenty four revision, members must avoid conflicts of interest, or, where they cannot, give full and fair disclosure that is prominent, plain and clear.
- It is about clients, prospects and your employer.
- Six B is Priority of Transactions.
- Client and employer transactions come before your own.
- A personal trade may follow a client trade, but not jump ahead of it, and nothing should be done to take advantage of knowing the client is about to trade.
- Six C is Referral Fees.
- Disclose to your employer, clients and prospects any compensation or benefit you give or receive for recommending services, so they can judge the value of the recommendation.

26 Standard six cases

Standard six: breach or not?

Hana states her holding up front	VI(A) disclosure	**No breach**
Paolo sells before his clients	VI(B) priority	**Breach**
Leah joins a hot new issue	VI(B) new issues	**Breach**
Hidden fee for steering clients	VI(C) referral fee	**Breach**
Conflict hidden on page 54	VI(A) not prominent	**Breach**

IN THE LESSON

- Five cases.
- One: Hana writes a report on a company in which she owns shares, and states her holding in the first paragraph.
- No breach of six A.
- Two: Paolo sells the same stock for his own account minutes before a large client sell order.
- That breaches six B.
- Three: Leah includes her own order in the firm's block order for a hot new share issue.
- Breach of six B, since employee participation in new issues is restricted.
- Four: a firm quietly receives a payment for steering clients to an insurer and tells no one.
- Breach of six C.
- Five: an offer document hides the line about staff interests on page fifty four.
- Breach of six A.

27 Standard seven: the program and the designation

- VII(A) Do not compromise the exams or the institute
- Sharing exam content or grading detail is a breach
- Opinions on the program are allowed
- VII(B) Claim the designation accurately, never overstate it

IN THE LESSON

- Standard seven is about being a good member of the CFA community.
- Seven A is Conduct as Participants in CFA Institute Programs.
- Do not engage in conduct that compromises the reputation or integrity of the institute or the CFA designation, or the integrity, validity or security of its exams.
- That includes cheating, sharing exam content, and disclosing what graders did.
- But you may express an opinion about the program, including criticism.
- Seven B is Reference to CFA Institute, the CFA Designation, and the CFA Program.
- Do not overstate the designation.
- Claim it only while you hold it, and describe passing a level plainly, without implying special ability or a guaranteed result.

28 Standard seven cases

Standard seven: breach or not?

Dang posts the exam's topics	VII(A) exam security	**Breach**
Joaquim criticises the curriculum	VII(A) opinion	**No breach**
Mbali says she passed Level II	VII(B) accurate claim	**No breach**
Profile says charterholder, lapsed	VII(B) designation	**Breach**
Ex grader reveals the marking	VII(A) exam security	**Breach**

IN THE LESSON

- Five cases.
- One: Dang sits the exam and posts which topics were heavily tested.
- That discloses confidential exam content, a breach of seven A.
- Two: Joaquim posts that the curriculum is too long and the fees too high.
- That is only an opinion, so no breach.
- Three: Mbali is still a candidate and states plainly she has passed Level Two.
- No breach of seven B.
- Four: a profile page calls a man a charterholder although he has not paid dues or filed his statement for two years.
- That breaches seven B.
- Five: Tomas, a former grader, tells colleagues how answers are marked.
- That breaches seven A.

29 One act, several Standards

An act can engage more than one rule

The act	Rules engaged
Tip traded, own account first	II(A) and VI(B)
Hides lawsuit on the PCS	VII(A), maybe I(D)
Rigs a price for a bonus	II(B) and I(D)
Inflated track record	I(C) and III(D)

IN THE LESSON

- One last skill: mapping a single act to every subsection it touches.
- A manager who trades on a tip in his own account first and then sells for clients engages two A and six B together.
- An analyst who hides a lawsuit on the annual statement engages seven A, and, if dishonest, one D as well.
- Someone who rigs a month end price to lift a bonus engages two B and one D.
- A manager who inflates a track record to win a client engages one C and three D.
- In the exam, give each its own name.
- Stopping at the first match is the commonest way to lose marks on these questions.

30 Recap

- Program: four routes in; staff decide; panel if rejected
- Sanctions: public censure, suspension, revocation
- Seven Standards: Professionalism to Membership
- Four steps: facts, Standard, breach, action

IN THE LESSON

- Let us pull it together.
- The program: cases begin through your own disclosure, a complaint, public sources, or monitoring.
- Staff investigate, and can close the case, send a cautionary letter, or charge.
- The member accepts or rejects, a panel reviews or hears it, and the panel decides the violation first and the sanction second.
- The Standards: one, Professionalism, from the law to competence.
- Two, markets.
- Three, clients, from loyalty to confidentiality.
- Four, employers.
- Five, analysis, communication and records.
- Six, conflicts, priority and referral fees.
- Seven, the program and the designation.
- And work every case in four steps: facts, Standard, breach, action.

31 Try three quick questions

1. Member rejects staff's proposed sanction. Who decides next?
   Answer: A DRC hearing panel: violation, then sanction.
2. Manager sells client shares on a material nonpublic tip. Breach?
   Answer: Yes, II(A). Protecting clients is no defence.
3. Which subsection did the 2024 update add to Standard I?
   Answer: I(E) Competence.

IN THE LESSON

- Now three quick questions.
- Pause after each one.
- Question one.
- Staff propose a sanction, and the member rejects it.
- Who decides next?
- A hearing panel of the Disciplinary Review Committee, which decides whether there was a violation and what the sanction is.
- Question two.
- A manager hears a tip that is material and nonpublic, and sells client shares to avoid a loss.
- Is that a breach?
- Yes, of Standard two A.
- Protecting clients is no defence.
- Question three.
- Which subsection did the twenty twenty four update add to Standard one?
- Competence, which is Standard one E.
- Well done, and keep going.